

BIG BUSINESS DEMANDING AND TAKING “FREE TRADE CREDIT” FROM VULNERABLE SMEs

- *SMEs waiting 69 days to be paid, despite 30 day rule.*
- *Large business and Government agencies ignoring law and instructions.*
- *10 year old Prompt Payments legislation must be amended.*

ISME, Monday 1st October 2012.

ISME, the Irish Small & Medium Enterprises Association, has demanded that the Government take a much stronger hand in the issue of Late Payments to SMEs who are under severe pressure as outlined in the findings of the **Autumn SME Credit Watch Survey**, released today (1st October). The Association has been warning successive Governments of the dangers of late payments and the vicious cycle created by larger business and government agencies delaying payments to their smaller suppliers.

The main findings from 834 respondents in the week ending 28th September are:

- **Actual average payment period in Ireland for SMEs is 69 days, similar to the previous quarter.**
- **41% are experiencing delays of 3 months or more, (Q2, 2012 38%).**
- **8% waiting over 120 days, a small improvement on the June figures at 10%.**
- **A net 34% of businesses are waiting longer, (Q2, 2012 32%).**
- **Both big business and state agencies continue to increase the credit taken.**
- **Ulster businesses wait longest, at 80 days, while Dublin remains the best at 64 days.**
- **Construction businesses wait on average 75 days while Wholesale is shortest at 63 days.**
- **78% of SMEs favour a statutory 30 day payments regime, with no opt out. (84%, Q2'12)**

According to ISME Chief Executive, Mark Fielding, “**the latest figures clearly show the effect that late payments are having on SMEs, caught in a vicious cycle of non-payment from large businesses and Government agencies. While the main government departments have improved their payment days, the main offenders are the state agencies and big business where delays continue to put massive pressure on SMEs**”.

“SMEs have to pay their VAT to government long before they themselves are paid, which is placing undue pressure on smaller businesses who are being let down by the bailed-out banks reducing overdrafts left, right and centre. **The Government refuses to tackle this issue, as businesses go to the wall and jobs are lost because of totally inadequate legislation.**”

Over three quarters of respondents (78%) favoured a MANDATORY 30 DAY PAYMENT. (on the assumption that ALL businesses are obliged to pay within 30 days of end of month of invoice. NO EXCEPTIONS).

If the Government are unwilling to amend the legislation, due to big business pressure, then the least they should do is to champion a Fair Pay Charter, led by Minister Bruton. **It would be an opportunity for Government to promote FAIR PLAY/PAY and they could exert pressure on the multinationals and large businesses, through the IDA and Enterprise Ireland to sign up to the charter.**

The Fair Pay Charter could incorporate **corporate social responsibility** disclosure in public companies financial statements to disclose standard information from the charter (possibly the commitment to pay suppliers within x days) and a metric (e.g. % of purchases paid within a set of ranges).

ISME proposes the introduction of a statutory 30 day payments regime for all business without exception. This could be introduced on a phased basis over 3 years, as follows

Year 1	60 days.
Year 2	45 days.
Year 3	30 days.

The Association called on the Minister for Jobs, Enterprise and Innovation to;

- **Prioritise the review of the 10 year old Prompt Payments legislation, which should be amended to assist rather than crucify the SME sector.**

- Begin the process of reducing the statutory payment days to 30, as per the ISME proposal.
- Introduce, publicise and champion a Fair Payment Charter for all businesses.
- Insist on adherence to Fair Payment Charter as criterion for granting state contracts.
- Insist that state agencies adhere to the 15 day rule.
- Insist on publication of payment data as instructed.
- Government should ‘name and shame’ those who pay SME businesses late.
- Increase the limits of the Small Claims Court to €20k, from the current paltry €2k.

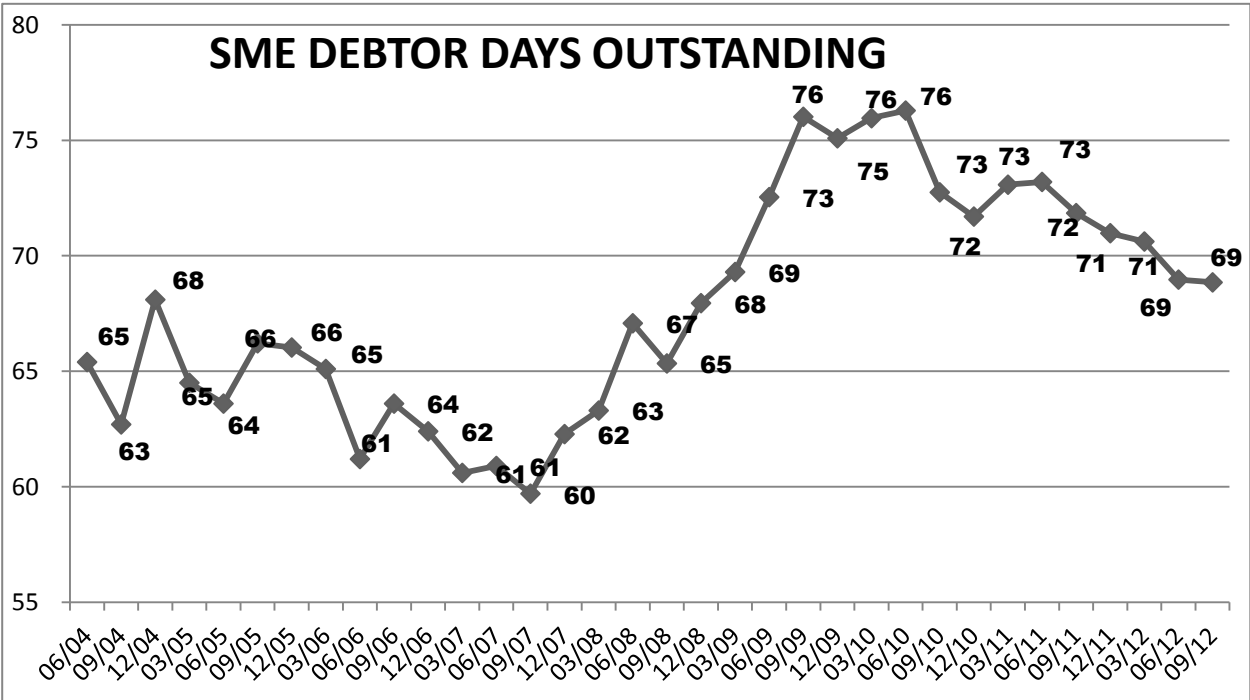
The ISME recommendations, would allow all businesses to predict their cash flow, introduce a level playing field for all credit transactions, reduce reliance on bank finance and bring down the cost of doing business. This initiative would stop the abuse of dominance by large business and state agencies and allow indigenous small enterprises to survive and maintain jobs.

ENDS
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AVERAGE DEBTOR DAYS.

	AUTUMN'12	SUMMER'12	SPRING'12	WINTER'11	AUTUMN'11
	DAYS	DAYS	DAYS	DAYS	DAYS
DUBLIN	64	66	68	68	68
LEINSTER	67	67	73	70	75
MUNSTER	72	73	75	72	72
CONNAUGHT	69	74	74	80	83
ULSTER	80	78	62	85	71
TOTALS	69	69	71	71	72
MANUFACTURING	74	68	72	70	75
SERVICES	67	66	67	71	69
DISTRIBUTION	72	73	76	77	72
WHOLESALE	63	69	68	62	62
CONSTRUCTION	75	73	77	67	86



ISME is the only independent voice of Small & Medium business in Ireland, representing in excess of 8,750 members across all sectors. The Association is owned and run by owner managers and is independent of big business, government and unions; the TRUE voice of the Irish SME. www.isme.ie